

Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-10 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 TRSE-00 CIEP-02 FRB-01

OMB-01 L-03 PA-02 PRS-01 USIA-15 /081 W

----- 122289

R 171115Z APR 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 7370

INFO USMISSION GENEVA

USDEL MTN GENEVA UNN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY HELSINKI

UNCLAS STOCKHOLM 2111

E.O. 11652: N/A

TAGS: EIND, EPAP, MTN, SW

SUBJECT: SWEDISH GOVERNMENT PROPOSES FURTHER MEASURES TO AID
DOMESTIC CLOTHING, TEXTILE, AND SHOE INDUSTRIES

REF: (A) 75 STOCKHOLM 5514, (B) 75 STOCKHOLM 5522

SUMMARY. SWEDISH GOVERNMENT PRESENTED TO RIKSDAG APRIL 13
BILL PROPOSING FURTHER SUPPORT MEASURES FOR TEXTILE, CLOTHING,
AND SHOE INDUSTRIES. BILL DOES NOT PROPOSE TRADE RESTRAINTS
BUT, RATHER, SUBSIDIES OR STRUCTURAL CHANGES AIMED
AT UPGRADING COMPETITIVENESS OF CLOTHING INDUSTRY AND AT SUSTAIN-
ING NONCOMPETITIVE SHOE AND TEXTILE INDUSTRIES FOR "ECONOMIC
PREPAREDNESS" PURPOSES. END SUMMARY.

1. BILL INTRODUCED BY SWEDISH GOVERNMENT (GOS) THIS WEEK
PROPOSES TWO-YEAR RATIONALIZATION PROGRAM INTENDED TO STRENGTHEN
LONG-TERM COMPETITIVENESS OF CLOTHING INDUSTRY, COORDINATE
OPERATIONS OF COTTON TEXTILE PRODUCERS, AND PROVIDE LOANS FOR
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PRODUCTION OF EMERGENCY SHOE SUPPLIES.

2. CLOTHING INDUSTRY. WITH REGARD TO CLOTHING INDUSTRY, BILL PROVIDES FOR (A) GOVERNMENT FINANCIAL ASSISTANCE AMOUNTING TO SKR 40 MILLION (\$9.1 MILLION AT CURRENT EXCHANGE RATE) IN FORM OF INTEREST-FREE LOANS SUBJECT TO TOTAL WRITE-OFF UNDER CERTAIN CONDITIONS, FOR INVESTMENT IN MORE EFFICIENT PRODUCTION TECHNOLOGY; (B) GOVERNMENT SUPPORT OF TECHNICAL DEVELOPMENT (SKR 4 MILLION) AND (C) GOVERNMENT GRANTS TO ASSIST IN FINANCING CONSULTANT SERVICES NEEDED BY COMPANIES PLANNING TO INTRODUCE NEW PRODUCTION TECHNOLOGY (SKR 10 MILLION).

3. THIS PROGRAM OF SKR 54 MILLION, ADDED TO GOVERNMENT FINANCIAL CONTRIBUTIONS ALREADY EARMARKED FOR EXPORT PROMOTION AND RELIEF FROM INTEREST PAYMENTS ON LOANS, WILL RAISE GOVERNMENT SUPPORT OF CLOTHING INDUSTRY TO MORE THAN SKR 95 MILLION IN PERIOD FY 1977-78.

4. ECONOMIC PREPAREDNESS MEASURES. MEASURES PROPOSED UNDER RUBRIC OF "ECONOMIC PREPAREDNESS" WILL TOUCH COTTON TEXTILE INDUSTRY, ONE PRODUCER OF WORSTED AND CARD YARNS OF WOOL, AND SHOE MANUFACTURERS.

5. BILL WOULD CALL UPON GOVERNMENT HOLDING COMPANY (STATSFORETAG) TO COORDINATE OPERATIONS OF NATION'S FIVE LEADING COTTON TEXTILE MANUFACTURERS TO ENSURE BEST POSSIBLE BUSINESS EFFICIENCY AND, AS BILL STATES, TO SECURE SWEDEN'S NEEDS IN EVENT OF AN EMERGENCY. PRESS RELEASE ISSUED BY INDUSTRY MINISTRY INDICATED THESE OBJECTIVES MIGHT BE ACCOMPLISHED WITH OR WITHOUT STATE PARTICIPATION IN THE INDUSTRY.

6. TO ENSURE DOMESTIC SUPPLIES OF WORSTED AND CARD YARNS OF WOOL, BILL PROPOSES THAT SUM OF NOT MORE THAN SKR 12.5 MILLION BE MADE AVAILABLE TO STIGTEX AB, PARTLY OWNED BY STATSFORETAG, OVER NEXT FIVE YEARS IN FORM OF INTEREST-FREE LOANS WHICH COULD BE WRITTEN OFF.

7. IN CASE OF SHOES, BILL DRAWS ATTENTION TO FACT THAT STATE INDUSTRIAL AGENCY (STATENS INDUSTRIVERK) AND NATIONAL BOARD OF ECONOMIC DEFENSE (OVERSTYRELSEN FOR EKONOMISKT FORSVAR) ARE STUDYING WAYS OF SUSTAINING CERTAIN LEVEL OF DOMESTIC SHOE

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PRODUCTION FOR SAKE OF ECONOMIC PREPAREDNESS. PENDING COMPLETION OF INVESTIGATION AT END OF 1976, BILL MAKES NO PROPOSALS FOR RESTRUCTURING SHOE INDUSTRY. IT DOES RECOMMEND THAT SUM NOT EXCEEDING SKR 12 MILLION BE EARMARKED FOR "EMERGENCY-SUPPLY LOANS", THAT IS, LOANS AVAILABLE UNDER FAVORABLE TERMS AND UNDER SPECIAL CONDITIONS TO COMPANIES, MAINLY SHOE MANUFACTURERS, WHOSE PRODUCTION IS CONSIDERED IMPORTANT TO SUSTAIN FROM VIEWPOINT OF ECONOMIC PREPAREDNESS.

8. GOVERNMENT PROPOSAL CONTAINS GENERAL COMMENT THAT SUBSIDIES CARRY RISK OF PERPETUATING COMPETITIVE WEAKNESSES AND STRUCTURAL INEFFICIENCIES. THEREFORE NONCOMPETITIVE PRODUCTION SHOULD BE SUBSIDIZED ONLY WHEN ECONOMIC PREPAREDNESS POLICY GOALS REQUIRE. AIDS TO CLOTHING INDUSTRY MUST AIM AT STRENGTHENING ITS LONG-TERM COMPETITIVENESS BY UPGRADING ITS TECHNOLOGY AND PRODUCTION METHODS.

9. COMMENT. GOS ASSISTANCE TO SMALL AND FALTERING CLOTHING AND TEXTILE INDUSTRIES HAS NOT TAKEN FORM OF IMPORT RESTRAINTS DESPITE AUTOMATIC IMPORT-LICENSING PROCEDURE ALREADY IN FORCE (REF A). HOWEVER, BILL FURTHER ENSHRINES "ECONOMIC PREPAREDNESS" FOR YET UNFORESEEN EMERGENCY, USED BY GOS LAST YEAR TO JUSTIFY IMPORT QUOTAS ON FOOTWEAR, AS DOCTRINAL BASIS OF CERTAIN SWEDISH TRADE AND INDUSTRIAL MEASURES THAT COULD DISADVANTAGE OTHERS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOTWEAR, TEXTILES, TRADE PROTECTIONISM, CLOTHING, IMPORT CONTROLS, ECONOMIC CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STOCKH02111
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760146-1114
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760449/aaaabpjn.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 STOCKHOLM 5514, 76 STOCKHOLM 5522
Review Action: RELEASED, APPROVED
Review Authority: oatisao
Review Comment: n/a
Review Content Flags:
Review Date: 06 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 JUL 2004 by SilvaL0>; APPROVED <17 SEP 2004 by oatisao>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWEDISH GOVERNMENT PROPOSES FURTHER MEASURES TO AID DOMESTIC CLOTHING, TEXTILE, AND SHOE INDUSTRIES
TAGS: EIND, EPAP, SW, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006